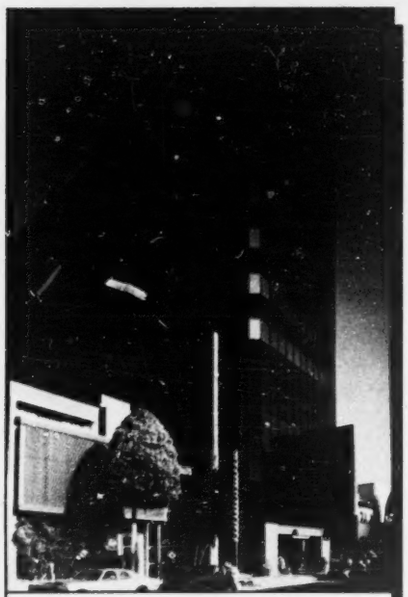
Real Estate



The San Bernardino County Employees' Retirement System paid $19.4 million for a 97% equity interest in this Beverly Hills building, in a sale-leaseback from American Medical International Inc.

No buyers; 2 seek exemptions

Farm investments hard to harvest

By Steve Hemmerick

Two institutional investors are finding that selling their farmland holdings is a tough row to hoe.

After seeking outside buyers unsuccessfully, Travelers Insurance Co. and The Knutson Companies Inc. have filed requests with the Department of Labor to sell the farmland to other company units — in at least one case, at a loss.

In Travelers' case, the Hartford, Conn.-based insurer is seeking to sell 87,643 acres of farmland held in its commingled open-end real estate Separate Account R to its own general account for $24.5 million, about $2.7 million less than it paid originally.

In Knutson's case, the Minneapolis company has agreed to purchase about 1,500 acres in farmland for $852,600 from a profit-sharing trust the company had terminated. No other buyer could be found.

Travelers officials expect that once the land is removed from the commingled account, the investment performance of the account will improve. That, they say, is their primary objective.

No one from Travelers will comment on the proposal until all participants in the pension account have been notified formally.

Travelers acquired the land for $27.2 million between 1976 and 1981, but farmland prices have fallen sharply since then — as much as 50% in some areas of the country — and could go down further.

In fact, Travelers officials stated in a report to the Labor Department that according to an estimate from an independent firm, the proposed sale price is 41% higher than the farmland would be worth if it were held in the separate account on a buy-and-hold strategy for the next five years.

The papers filed with the Labor Department said the farm holdings have been dragging down the investment returns in Separate Account R, although the officials did not say to what extent.

Trustees for the $970 million Maine State Retirement System, an investor in Separate Account R, haven't been "overjoyed" with the account's returns, said Roberta M. Weil, Maine's executive director.

But she said she had no knowledge of Travelers' plans to dispose of the account's farmland. She said the system's trustees would meet soon with Travelers executives and other system advisers at a semiannual meeting.

(An insurance company "separate" account includes pooled assets that are segregated from the insurer's general account, with income gains and losses devoted to a specified category, in this case the 129 plans participating in the fund.)

Of the $500 million in the separate account, the greatest contribution, $73.9 million, comes from The Travelers Cos. own retirement plan for salaried employees.

While performance returns for Separate Account R have been sharply ahead of the Consumer Price Index, they have been behind several other bank and insurance company commingled real estate accounts.

According to Pensions & Investments' Performance Evaluation Report, in the three-year period ended Sept. 30, PRISA, the giant real estate commingled account managed by Prudential Insurance Co. of America, had a return of 10.9%, compared with Separate Account R's return of 8.2%. For the same period, Equitable's commingled account had a return of 13.5%. The CPI returned 3.3%.

Travelers officials would not reveal what the return would have been without the farmland.

To resolve the situation, Travelers called in The Karsten Companies, Los Angeles, to serve as independent fiduciary and adviser. Karsten outlined three possible strategies:

- Hold the farmland in the real estate separate account for five years, which would result, according to an independent estimate, in the farmland having a present value of $14.4 million.
- Place the farmland on the open market at a fair market value of $18 million, which would mean a 5% sales commission and closing costs would have to be deducted when it was sold.
- Sell the farmland to the insurance company's general account at $24.5 million, the appraised value of the land as of Dec. 31, 1984, before subsequent depreciation.

The general account already holds $197 million in farmland.

Karsten's valuation was done on the assumption the land would be used as farmland. An examination of the property found the highest and best use of the land would be for farming.

Travelers owns 16 agricultural properties, ranging from 283 acres to 7,153 acres, in Arkansas, Colorado, Georgia, Illinois, Kansas and Wyoming.

When the insurance company bought the parcels, Travelers investment professionals believed the land would achieve long-term growth in value. However, because of the general economic distress experienced by large segments of the agricultural community, "these properties have significantly re-

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T. Rowe sub latest in trend among firms

By Alan Krauss

NEW YORK — T. Rowe Price Associates Inc.'s establishment of a real estate investment management subsidiary is the latest example of a major money management organization broadening its product line to become a financial supermarket for pension funds and individual clients.

The new subsidiary, T. Rowe Price Realty Advisers Inc., will be staffed through the defection of three key people from Coldwell Banker Capital Management Services.

Seeds of the new firm were sown about two years ago. It was then that James G. Nugent, senior vice president of Coldwell Banker Capital, proposed to Curran W. Harvey, then president of T. Rowe Price Associates, a collaboration that would enable the two firms to reach markets neither was fully able to tap on its own.

Mr. Nugent suggested T. Rowe Price was losing business because it lacked the capability to offer its clientele real estate investments. Coldwell was prepared to supply the expertise T. Rowe Price needed to offer such capabilities, and in return, Mr. Nugent figured, those investors would become real estate clients of Coldwell.

"T. Rowe had better access to (investment services) customers than Coldwell, which is a real estate company and not a marketing company," Mr. Nugent said, recalling his thinking at the time. "Our ability to reach people is basically limited — we have no marketing staff. The logical thing would be to team up with a reputable, first-class outfit that did not have real estate expertise but that did have marketing capabilities."

The conversation led to T. Rowe Price's successful Realty Income Fund I, a consumer-oriented limited partnership offered in conjunction with Coldwell Banker that raised $90 million in the first four months of 1985, according to Steven E. Norwitz, T. Rowe Price vice president.

Ultimately, it also led to the firm's decision to form its own property-investment subsidiary, after senior management at Coldwell's corporate parent, Sears, Roebuck & Co., quashed

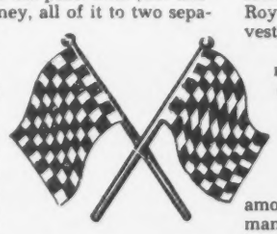
Separate accounts draw more assets

By Steve Hemmerick

Ten equity real estate advisers got $3.5 billion from tax-exempt clients in 1985, and some of those advisers reported a significant amount of money went to separate investment accounts.

According to *Pensions & Investment Age*'s Scorecard, the 10 advisers getting the largest inflows of cash have received slightly more than 70% of all the reported new tax-exempt money committed to equity real estate in the past year, $4.8 billion.

Every one of the top five advisers, in terms of committed dollars, said at least some of the money, and in two cases all of it, was slated for a separate account. Richard Ellis Inc. led the pack with $867 million in new money, all of it to two separate accounts.In a separate account, money is not pooled with that of other tax-exempt investors and the separate account investor is ready to have the adviser make direct investments for the account.



Although some insurance company pooled accounts are called separate accounts, the word "separate" means separated from the insurance company's general account, and not the account of one tax-exempt investor.

According to real estate investment years ago seldom invested in anything but open- or closed-end pooled, also called commingled, real estate funds.

But through the years, the pension officers for many larger funds have diversified and now are doing more specialized investing, although pools are still the most common form of real estate investment for pension funds.

Richard Ellis, a New York-based real estate advisory firm that handles only separate accounts, said the bulk of its new real estate money, $500 million, came from the Royal Dutch Shell pension fund for investment in domestic real estate.

Heitman Advisory Corp., Chicago, reported receiving the second largest dollar amount in 1985, $536 million. David M. Glickman, executive vice president, said about half of the money went to separate accounts.

TCW Realty Advisors, Los Angeles, reported the third highest amount, $430.9 million. Vincent Martin, managing director for TCW, said a "very limited" amount of that did not go into a pooled account. But, he said, the separate account money resulted in about a 20% increase in equity contributions to TCW during the past year.

Equitable Real Estate Investment Management, New York, reported $446 million in new money in 1985. It would have ranked among the Top 10 but did not comply with all questionnaire require-

most of the money went into separate accounts.

All of the $255.5 million The Boston Co. Real Estate Counsel Inc., Boston, received in 1985 went to separate accounts, said Robert A. Radloff, president.

"The market is indicating that direct investments, the separate account portfolio, is going to be increasing market share," he said. New clients for Boston Counsel in 1985 are Eastman Kodak Corp., State of Wisconsin Investment Board and Alaska Permanent Fund.

TCW also added clients: Agway Inc.; Central Illinois Light Co.; Cincinnati Bell Telephone Inc.; Dean Foods Co.; A.S. Hansen Inc.; Illinois Municipal Retirement Fund; Minnegasco Inc.; Minnesota State Board of Investment; Missouri State Employees' Retirement System; Nevada Public Employees' Retirement System; North America Philips Corp.; City of Orlando; Pacific Telesis Group; and U S WEST Inc.

Heitman Advisory added: Sara Lee

Most new real estate equity business (net)

Companies	$ mils.
Richard Ellis, New York	867.0
Heitman Advisory Corp., Chicago	536.0
TCW Realty Advisors, Los Angeles	430.9
Eastdil Realty Inc., New York	274.0
Boston Co. Inc., Boston	255.5
J.M.B. Institutional Realty, Chicago	250.0
Jones Lang Wootton Realty, New York	250.0
Aetna Life & Casualty, Hartford, Conn.	246.4
Copley Real Estate Advisors, Boston	233.0
J.W. O'Connor & Co., New York	200.0

Wrap-up

Some selling advised

NEW YORK — Some real estate investors might do well in 1986 to sell off 15% of their real estate holdings, according to Landauer Inc., real estate advisers.

In a Landauer report, "1986 Real Estate Market Forecast," it was suggested 1986 could be an "excellent year to lighten one's portfolio" and earn "relatively high price levels" for real estate.

As part of a hedging action, the report suggested investors might "dispose of lackluster properties." Real estate will continue to sell well, it said, as long as the nation's economic picture remains "muddled."

For real estate in general, the report characterized 1986 as a fair, but not outstanding, year.

The catastrophe some real estate investors are expecting in some areas, such as a widespread collapse in prices for office buildings and severely reduced income for others, won't happen, the report said.

The report also said real estate managers at Landauer don't expect a severe downward correction in rents and prices for properties.

It noted, however, some significant problems already have been experienced in areas where there is a "weak economic base" and oversupply of some properties in Houston and New Orleans.

The report said there won't be as many foreclosures as anticipated. Instead, it said, there will be a change of ownership.

The ownership will sometimes change, according to the report, as a result of a squeeze on the developer by the lender equity-participant.

The report didn't say pension fund managers would be putting the squeeze on developers, but much of the equity property they hold is in the form of equity participation, except for those fund managers that own properties 100% and pay all cash.

If there is a real shakeout coming, it likely will happen in mid-1987, said the report. The severity of it will, in part, depend on the length, breadth and depth of an economic recession, if one happens.

The longer a recession, it pointed out, the longer it would take for the demand for space to meet supply.

The best buys in real estate in 1986, the report suggested, would be in the areas of shopping centers and planned light industrial parks.

Shopping centers have continued to recover sharply from a mild slump in 1980-'82. That recovery, the report said, is in part due to the nearly 20% increase in real consumption expenditures since 1980, coupled with a modest rate of new retail buildings.

"The planned light industrial park, which includes a mix of light assembly, high technology, distribution and office space is in especially high demand today," the report said.

Premiums will be paid by institutional buyers, it said, to obtain an entire park.

But what the report called the "real sleeper" among best buys in real estate is in the rental housing market.

The preferred purchases in rental housing are away from cities like Boston, Los Angeles and New York, where, the report said, "rent controls seem an inevitability."

New real estate head

NEW YORK — Edgar A. Stoudt has been placed in charge of Metropolitan Life Insurance Co.'s real estate investment committee, real estate acquisitions section and architectural unit.

Mr. Stoudt joined Metropolitan in 1955 as a field inspector and was appointed a vice president in 1971.

The insurance company manages $429 million in tax-exempt real estate assets and $17.9 billion in total real estate assets, including those in Metropolitan's general account.

Mr. Stoudt is now senior vice president in the real estate investment department.

Investments hard to harvest . . .

Continued from page 25

duced the total return on investment for the equity component of the (separate) account in recent years," Travelers stated in its Labor Department filing.

(The cash-on-cash rate of return on farmland now, many agricultural experts agree, is between 6% and 7%, a yield significantly lower than some other investments (*Pensions & Investment Age*, Oct. 14.)

If a 45-day waiting period that began Jan. 17 expires without adverse comments or a request for a hearing on the proposal, the proposed transaction likely will receive Labor Department approval, according to Alan Levitas, an employee benefit plan specialist at the department.

He noted Travelers' report was quite detailed and included a third-party opinion.

Officials for The Knutson Companies Inc. also have applied for an exemption under the Employee Retirement Income Security Act. Both Knutson and Travelers need the exemptions because of prohibitions on transactions between parties in interest, in these cases the plans and the sponsoring companies.

Knutson terminated a $1.4 million profit-sharing trust in September 1984 following the sale of its wholly owned subsidiary, Knutson Mortgage and Financial Corp.

But company officials said they have not been able to dispose of 1,541 acres of farmland the company bought for the trust between 1974 and 1979.

At the time they purchased the property, plan officials thought the farmland would generate a return of 20% to 25%.

But when they approached two real estate companies to sell the land, both refused to even list the property for sale, saying the market for farmland was so weak, finding a buyer would be unlikely, plan officials said.

Knutson, in an attempt to distribute the assets of the trust to its participants, has proposed selling the land to the company for $852,600, an appraised value as of Dec. 31, 1984, and the highest of three independent appraisals. It is not known how much the land was worth originally because through the years the trust sold off bits and pieces that had appreciated. ■

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T. Rowe starts . . .

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firms to eliminate perceived competition between Coldwell and another Sears subsidiary, Dean Witter Financial Services Inc.

Last month, Reed Samuelson, president of Coldwell Banker; Scott Calder, acquisitions specialist; Gary Neumeier, a portfolio manager; and others, joined T. Rowe Price to form its realty subsidiary (*Pensions & Investment Age*, Jan. 20).

"Our firm had long considered adding real estate as what we consider a 'third leg' to our stock and bond investment capabilities," said Mark R. Fetting, T. Rowe Price vice president. "We're doing it now as both institutions and individuals are diversifying their portfolios into real estate."

The thinking that led to T. Rowe's expansion into the real estate arena is typical of many investment management companies today.

The trend is likely to play a significant part in the transformation of institutional real estate investment management, as financial giants like T. Rowe Price, Shearson Lehman Brothers Inc. and Kemper Financial Services Inc. infringe on the traditional preserve of the few firms that have dominated the field.

"The big financial services houses are recognizing that they'd better have real estate on their plates as well as other boutiquelike services," said David Glickman, president of one old-line real estate manager, Heitman Advisory Corp., Chicago.

Mr. Glickman predicted within two years all the big mutual fund companies will offer real estate investments. Most, if not all, the consumer investment firms also have substantial institutional assets under management as well.

"After insurance companies and brokerage houses, which were the first (to enter the real estate investment management business), we're starting to see the financial services houses getting into it," said Darlene T. DeRemer, who was involved in the formation of T. Rowe Price Realty Advisers before leaving forState Street Bank & Trust Co., Boston.

"Without an experienced team that can offer the same disciplined approach to real estate as the company offers with stocks and bonds, it's a mistake to enter the business," she said. "The disciplines involved are similar, but it's a unique asset class with a different cycle all its own and with different characteristics."

Development of real estate capabilities represents a turnabout for many investment management companies, according to Stephen E. Roulac, founder of Stephen E. Roulac & Co. a San Francisco-based real estate consultant.

"There's a real move now to be able to offer real estate as part of a full portfolio of investment services," Mr. Roulac said. "The options are acquiring it, developing it or ignoring it."

He suggested firms that fail to offer their clients real estate services will lose investors who prefer to obtain all their investment services from the same firm.

David L. Babson & Co. Inc., a Boston-based investment manager, joined forces with Lehndorff U.S. Equities Inc. in 1983 to form Lehndorff & Babson Real Estate Counsel Inc., Dallas, which as of Dec. 31, had $460 million in tax-exempt assets under management.

G. Andrews Smith, Lehndorff & Babson executive vice president and chief operating officer, said the combination resulted from Lehndorff's decision to increase its domestic pension fund clientele.

"Lehndorff brings to the combination the real estate product — we find it, negotiate it, and get it under contract," he explained. "Then Babson goes and tells its institutional clients about it. Those clients then have the opportunity to participate in the deals, becoming clients of Lehndorff & Babson for real estate purposes.

"Babson gains the ability to give its big institutional clients real estate services as well as stocks and bonds. For Lehndorff, it was an additional capital source."

Mr. Smith noted it is often cheaper to buy a company with an established product than to develop a new product: "It's merger mania on a whole different product level."

Shearson Lehman Brothers chose to acquire fully developed companies it could integrate into its own conglomeration.

George W. Phillips, Shearson Lehman vice chairman, noted the firm's 1981 acquisition of The Boston Co. brought it The Boston Co. Real Estate Counsel, active managers of both debt and equity real estate assets for institutional clients. The next year, Shearson expanded into retail real estate investment management with Balcor Co., a marketer of limited partnership real estate investments.

"We sought vertical integration — we wanted to build our own capabilities for various aspects of real estate; we wanted to control the quality levels of the various capabilities; we wanted to assemble a first-class professional organization; and, finally, the purchases were financially attractive from Shearson Lehman's point of view," said Mr. Phillips.

The company already owned Shearson Lehman Brothers Mortgage Corp., Irvine, Calif., which originates mortgages in all 50 states and then packages the mortgages for sale to other financial institutions or as mortgage-backed securities.

T. Rowe Price Associates' Mr. Fetting said he sees pension fund investment in real estate assets approaching a second phase, with T. Rowe Price Realty Advisers positioned to tap into the expansion.

"Starting in the mid-1970s, we went from seeing most Fortune 1,000 companies with no real estate in their pension portfolios to the situation now where the majority of them have at least some real estate and the average is approaching 5%," he said. "So the Fortune 1,000 market is pretty well served, although most people expect allocations to continue to increase. "The second wave will consist of additional allocations from the Fortune 1,000, initial allocations from smaller corporate funds and especially from the public plans that are now aggressively pursuing real estate."

Mr. Fetting said T. Rowe's subsidiary is planning its specific strategy for approaching institutional investors later this year. ■

Separate accounts . . .

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Corp.; Nevada Public Employees; Federal Express Corp.; Iowa Public Employees' Retirement System; Los Angeles County Employees' Retirement Association; Virginia Supplemental Retirement System; Alaska Permanent Fund.

Eastdil Realty Inc., New York, reported an additional $274 million in 1985 for real estate investment.

The real estate firms getting the most mortgage money, and the amount received in 1985, are: Mellon Real Estate Investment Management Corp., New York, $146 million; Mortgage Investors Group Inc., Detroit, $85 million; Bankers Life Co., Des Moines, Iowa, $45 million; Eastdil Realty, $26 million; Union Labor Life Insurance Co., Washington, $8.5 million; and D.A. Management Inc., Huntington Beach, Calif., $4.8 million. ■

GIC firms surge . . .

Continued from page 3

this year's total. Aetna reported about $1.3 billion, or $700 million less than this year.

Joseph Taglieri, Prudential vice president, partly attributed his firm's move into the top spot to a more concentrated marketing effort that "zeroed in" on sponsors of large plans.

He said Prudential was effective in moving window GIC products, which offer the ability to make additional contributions during a "window" period at the guaranteed rate, to saving plans.

Also, plan reversions provided a big piece of business, approximately $1.3 billion in annuity close-outs.

New Prudential clients include The Chubb Corp., New York; Commonwealth Edison Co., Chicago; George B. Buck Consulting Actuaries, New York; and Stauffer Chemical Co., Westport, Conn.

Harvey M. Young, Metropolitan's senior vice president, pointed to defined contribution plans, such as 401(k) and saving plans, as the main reason 1985 was such a good year for insurance companies.

In 1985, Metropolitan consciously sought a better spread of business, rather than relying just on GICs sales, Mr. Young said. That explains the drop in GIC business, he added.

Metropolitan requested client names not be published.

At Aetna Life & Casualty William F. Towell, director of employee benefit products, said the upsurge in sales to defined contribution plans, which were responsible for two-thirds of the company's net gain, was the reason for Aetna's jump in the rankings.

Mr. Towell said defined benefit plan business slacked off because those plans are "more rate sensitive . . . (and) rates (on GICs) have gone down tremendously."

The firm requested the names of new clients not be published.

Although 1985 was a good year for insurance companies, Metropolitan's Mr. Young cautioned that what goes on in Washington may affect business.

Congress, driven by the budget deficit and the need for revenue, is considering altering the tax laws that regulate 401(k) plans. Also, the ERISA Advisory Council has a task force looking at the termination of overfunded pension plans, which has been a source of business for insurance companies.

For balanced management, Lehman Management Co., New York, posted a net gain of $528 million, enabling it to edge out Wells Fargo Investment Advisors and Mellon Capital Management, both of San Francisco, for the No. 1 ranking in that category.

Wells Fargo and Mellon Capital reported net gains of $493 million and $425 million, respectively.

The firms, riding the popularity of passive management, scored with balanced products based on indexed equity and fixed-income holdings.

In all, balanced managers reported a net gain of about $5 billion. In later interviews, however, some said the use of balanced management by large pension funds may be declining.

Coleman M. Brandt, president of Lehman, said balanced management is still a legitimate market despite the tendency for pension executives from large funds to look for specialized managers.

Lehman has done well because there is a good market for its risk averse style, he said.

New balanced clients of Lehman include Navy Federal Credit Union, Vienna, Va.; Cincinnati Retirement System; Lykes Brothers Inc., Tampa, Fla.; and United Food & Commercial Workers, Atlanta.

The Boston Co., with $246.4 million in net business, ranked sixth among balanced managers.

Peter Summers, president of Boston-based Boston Co. Institutional Investors Inc., a wholly owned subsidiary of the Boston Co., said increased awareness of the asset mix decision may be contributing to less demand for balanced managers.

But his firm gained balanced business during the year because of its popularity with middle market funds, Mr. Summers said. In addition, union funds are receptive to the marketing overtures of balanced managers, he noted.

A new balanced client of the Boston Co. is Detroit Retirement Systems.

Morgan Stanley reported a net gain of balanced business of $349 million, up about 50% over the firm's 1984 net gain, and good enough to snare the fourth spot in this year's Top 10 rankings.

Gail Hunt Reeke, vice president of Morgan Stanley, said balanced managers that can make good judgments about the economic environment in a five-year to 10-year time frame will continue to do well.

Still, she conceded there is "no question that there is a real burgeoning of attention being paid to asset allocation," and there is less of a tendency on the part of large pension funds to have multiple balanced managers in their line-up. "You don't want someone zigging while somebody else is zagging," she said.

In addition to the firms on the Top 10 chart, INVESCO Capital Management Inc., Atlanta, and Lazard Freres Asset Management, New York, reported enough net balanced business to be ranked, but they declined to identify their new clients and were excluded.

For firms with total tax-exempt assets under management between $250 million and $1 billion, Harbor Capital Management Inc., Boston was first, with net balanced business of $169 million. Second was Dreman & Embry Inc., New York, with $76.3 million.

The $57 million net gain in new balanced business by P.E. Becker Inc., Portland, Ore., was good enough to allow the firm to claim the top spot for managers with less than $250 million under management.

In addition to those in the Top 10 for that category, Loewi Asset Management, Milwaukee, which reported a net gain of $35 million, and Petersen, Flynn and Dinsmore Inc., Los Angeles, with a net gain of $18.5 million, would have been third and sixth, respectively, if they had included client names on their questionnaire. ■

— ED CHRISTMAN

Most new GIC business (net)

Companies	$ mils.
Prudential Asset Mgmt., Newark, N.J.	4,318.0
Metropolitan Life Ins., New York	3,839.0
Aetna Life & Casualty, Hartford, Conn.	2,073.2
New York Life Ins. Co., New York	1,453.3
John Hancock Financial, Boston	1,414.0
Provident National, Chattanooga, Tenn.	1,051.7
New England Life, Burlington, Mass.	847.0
Pacific Mutual Life, Newport Beach, Calif.	564.0
Primco Capital Mgmt., Louisville, Ky.	400.0
Northwestern National Life, Minneapolis	251.2

Most new balanced business (net)

Top 10 managers over $1 billion

Companies	$ mils.
Lehman Mgmt. Co. Inc., New York	528.0
Wells Fargo Investment, San Francisco	493.0
Mellon Capital Mgmt., San Francisco	425.0
Morgan Stanley Asset Mgmt., New York	349.0
First Union Nat'l. Bank, Charlotte, N.C.	249.0
Boston Co. Inc., Boston	246.4
Shields Asset Mgmt., White Plains, N.Y.	240.0
Oppenheimer Capital Corp., New York	237.3
Hutton Capital Management, New York	210.8
NCNB National Bank, Charlotte, N.C.	150.0

Top 10 managers $250 mil. to $1 bil.

Companies	$ mils.
Harbor Capital Mgmt. Inc., Boston	169.0
Dreman & Embry Inc., New York	76.3
C-S Capital Advisors Inc., Cincinnati	65.0
Lowe, Brockenbrough, Richmond, Va.	65.0
NWQ Investment Mgmt. Co., Los Angeles	65.0
Laidlaw Capital Mgmt. Inc., New York	50.0
Trust Services of America Inc., Los Angeles	48.4
Chicago Corp., Chicago	45.7
Liberty Nat'l. Bank & Trust Co., Louisville, Ky.	45.0
Wood Struthers & Winthrop, New York	37.0

Top 10 managers under $250 million

Companies	$ mils.
P.E. Becker Inc., Portland, Ore.	57.0
Capital Advisor, Tulsa, Okla.	36.0
Anchor Capital Advisors, Boston	35.0
Crabbe-Huson Co., Portland, Ore.	22.4
Pension Portfolio Advisors, Southfield, Mich.	18.0
Heartland Capital Mgmt., Indianapolis	15.7
American Asset Mgmt., Cleveland	10.0
Kirr, Marbach & Co., Columbus, Ind.	9.5
Argus Investment, Newport Beach, Calif.	7.1
Greenspan O'Neil Assoc., New York	7.0

Bond index and dedication . . .

Continued from page 4

ers the previous year.

Another leading indexer was Wells Fargo Investment Advisors, San Francisco, with $476 million in new assets for bond index funds. It had $507 million in new fixed-income business overall, placing it 10th among large firms. New fixed-income clients included the Chicago Policemen's Annuity & Benefit Fund and the Rockefeller Foundation, New York.

Among mid-sized firms, Lowe, Brockenbrough, Tierney & Tattersall gained $195 million in fixed-income business from clients that included Miles Laboratories Inc., Elkhart, Ind.; Central Pension Fund, International Union of Operating Engineers, Washington; the Jacksonville (Fla.) City Retirement System; and the Memphis (Tenn.) City Retirement System.

In fixed-income management, the firm uses interest rate anticipation and a balance between market timing and sector selection.

NC Capital Management Group gained nearly $162 million in fixed-income business. It provided client names on the condition they not be published. Its fixed-income strategy is an active one using short- to intermediate-term securities.

Another mid-sized manager, BA International Investment Management Ltd., London, actually bested those two firms with $245 million in new fixed-income business, but it was excluded because it did not provide any client names.

Another international firm, Baring International Investment Management Ltd., Boston, also did well among medium-sized management firms. It gained $151 million in fixed-income business from clients that included the General Motors Corp. pension fund, New York.

Magten, the top gainer among small firms, won $149 million in new fixed-income business. The firm concentrates on high-yield, low-grade bonds, also known as junk bonds.

Julius Baer Investment Management Inc., New York, had the second largest gain among small firms, with $56 million in new fixed-income business. The firm invests internationally, seeking an active country/currency allocation. It provided client names on the condition that they not be printed. ■

Indexing remains dominant . . .

Continued from page 4

approaching the level where we want to stop taking new clients."

The second ranked active equity manager, seventh overall for equities, was Citicorp Investment Management Inc., New York, with $592 million net gain in equity business, of which $70 million was for index management.

Craig Bennett, business manager, said the firm owed its position to an increased interest in all specialty products, including international management.

The firm did not want the names of its new clients published.

Eighth-ranked Boston Co., Boston, and 10th-ranked Prudential Asset Management Group, Newark, N.J., also had success with index management. Boston Co. had $90 million indexed of its $568.2 million in net equity gain, while Prudential had $186 million indexed of its $550 million net equity gain.

Batterymarch Financial Management, Boston, third last year, was among the equity managers disappearing from the Top 10 this year. Batterymarch had a net decline of $473 million for 1985.

Fidelity Management Trust Co., Boston, seventh last year, would have placed sixth in this year's

rankings, and INVESCO Capital Management Inc., Atlanta, would have placed eighth. But both failed to disclose names of new clients, eliminating them from the rankings.

Dimensional Fund Advisors, Santa Monica, Calif., the 10th place firm last year, posted a net gain of $382.6 million, placing it 14th this year.

Brignoli, Curley & Roberts Associates, New York, won the top spot for managers with assets under management of $250 million to $1 billion. It had a $457 million net gain in equity business.

Brignoli, Curley & Roberts gained the top spot because Geewax, Terker & Co., King of Prussia, Pa., which had a net gain of $550 million, failed to include the names of new clients on its questionnaire.

Hahn Holland & Grossman, Chicago, with a net gain of $112 million, was the top equity manager for managers with less than $250 million under management.

However, the firm would have been replaced by Janus Capital Corp., Denver, if it had included new client names with the $124.7 million net gain it reported on its questionnaire. ■

Money movers appear in each issue.

Please send information for the money movers section of Pensions & Investment Age to:

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Chicago, Ill. 60611.

Money movers

Associated Dry Goods Corp.

NEW YORK — Associated Dry Goods Corp., with $165 million in pension assets, dropped Avatar Associates, New York, and put the $17 million in proceeds into a dedicated bond portfolio that was set up by Morgan Stanley & Co.

The portfolio is being managed by Kemper Financial Service Inc., Chicago, said Theodore Babcock, assistant treasurer.

The dedicated portfolio, composed of a mix of Treasury and corporate bonds, yields about 11.6%.

It is Associated's first dedication, he said.

"We were pretty happy with Avatar's performance," Mr. Babcock said, but added Avatar was the most expendable manager without upsetting Associated's asset mix.

Burroughs Wellcome Co.

RESEARCH TRIANGLE PARK, N.C. — The Burroughs Wellcome Co. has purchased a $36 million guaranteed investment contract from the Prudential Asset Management Group, Newark, N.J., for the company's 401(k) savings plan.

The plan has about $50 million in assets, said Glenn Andrews, financial planning manager.

About $33 million of the $36 million came from a Prudential GIC that matured Jan. 1, he said. The rest came from the variable interest fund option of the plan, which was run by Wertheim Asset Management Services Inc., New York.

Mr. Andrews said the yield of that cash fund, which was invested mostly in government securities, was lower than what GICs are paying, so fund officials dissolved that plan option in favor of placing the assets in GICs.

Burroughs Wellcome also has a $190 million pension fund, which was unaffected by the moves.

Harte-Hanks Communications

SAN ANTONIO, Texas — Harte-Hanks Communications Inc. appointed Leavy Investment Management Inc., Atlanta, to run its two largest company pension plans, which have combined assets of $23 million.

Leavy, which will run the entire amount in a balanced account, was selected after a search conducted by the Houston branch of SEI Funds Evaluation Services.

"Our criteria was we wanted someone who had performed in the top quartile over five years, and (Leavy) had performed in the top 5% over both five- and 10-year periods," said Richard M. Gozia, Harte-Hanks vice president-finance.

The trustees also liked Leavy's investment philosophy, which is based on buying undervalued stocks, said Mr. Gozia.

The company dropped Vaughan, Nelson, Scarborough & McConnell Inc., Houston. Mr. Gozia said the firm was dropped because it did not appear in the top quartile of SEI's universe for the five-year period.

Brown Printing Co.

WASECA, Minn. — The $20 million Brown Printing Co. pension fund hired Hahn Holland & Grossman, Chicago, and MCQ Inc., Torrance, Calif., to manage $4 million each, said Paul Lohse, assistant controller.

Hahn, Holland & Grossman will run equities and MCQ will run fixed income enhanced with hedging devices, Mr. Lohse said.

They were funded with money formerly run in-house.

Standard Valuation, St. Paul, assisted in the manager selection.

Axia Inc.

OAK BROOK, Ill. — Axia Inc., with $20 million in pension assets, hired three investment managers and released another, said Raymond J. Kulla, vice president and general counsel.

Hired were Resource Capital Advisers Inc., Milwaukee, for a $3 million equity portfolio; First Chicago Investment Advisors, for $5 million in a multiasset portfolio; and Harris Trust and Savings Bank, Chicago, for a $5 million fixed-income account. Released was Grace Capital Inc., New York.

First Chicago's portfolio includes real estate, venture capital, small-capitalization stocks and foreign equities, Mr. Kulla said.

The money allocated to the new managers came from cash and Grace Capital's $2 million equity account.

Mr. Kulla said the manager changes were made as the result of a three-part study conducted by the fund's consultant, A.S. Hansen Inc., Lake Bluff, Ill. Hansen also served as the manager search consultant.

Southwestern Bell Foundation

ST. LOUIS — The Southwestern Bell Foundation, which has assets of about $10 million, has hired its first external money managers, according to Roger Wohlert, assistant treasurer.

The assets of the foundation, which was formed a year ago, had been managed internally in short-term instruments, said Mr. Wohlert, who also serves as assistant treasurer-corporate finance in overseeing Southwestern Bell's $4 billion pension assets.

Mr. Wohlert said the foundation has hired MSecurities, Dallas, to run an equity account and Centerre Trust Co., St. Louis, to manage an equity and a fixed-income portfolio. He said the amount to be given to each has not been determined and the foundation is awaiting additional contributions before making an asset allocation decision.

Cooke Inlet Communications

NEW YORK — Cooke Inlet Communications Corp. hired Boston Safe Deposit and Trust Co. to be trustee for the $3 million profit-sharing plan of WTNH-TV New Haven, Conn.

Cooke owns the TV station in partnership with two other companies, said Lynn Fogel, director of employee benefits.

W.R. Grace & Co.

NEW YORK — The about $740 million W.R. Grace & Co. pension fund hired Bankers Trust Co., New York, as its master trustee, replacing Marine Midland Bank, said S.A. Ollila, assistant treasurer.

Harris Corp.

MELBOURNE, Fla. — The Harris Corp., with about $430 million in employee benefit assets, has hired two fixed-income managers after conducting an internal management search.

John Small, manager of benefits and retirement plan finance, said Neuberger & Berman will receive $50 million, while Dreyfus Management Inc. will run a $25 million fixed portfolio. Both firms are based in New York.

Houston Policemen's Retirement

HOUSTON — The Houston Policemen's Retirement System hired Bankers Trust Co., New York, as its master trust bank, replacing First City National Bank of Houston, according to Gene Attebery, business manager.

The $348 million fund was seeking more sophisticated banking services, said Mr. Attebery. He said the fund's board reviewed five banks and selected Bankers from two finalists. The other finalist was Northern Trust Co., Chicago.

Mr. Attebery said the fund wanted the additional on-line computer capability available from the larger bank. Specifically, he said, the fund needed the securities lending capability and performance measurement software in order to monitor more closely the fund's growing stable of money managers.

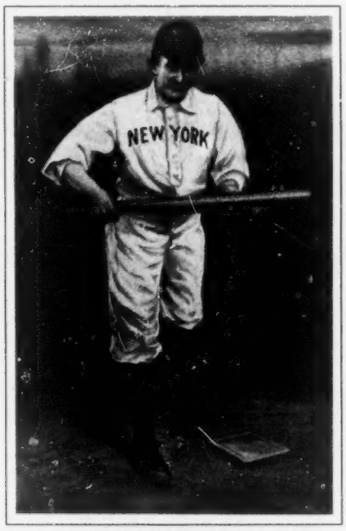
SEI Funds Evaluation Services assisted in the search.

Warren General Employees' Fund

WARREN, Mich. — The $42 million Warren General Employees' Retirement Fund hired Oppenheimer Capital Corp., New York, to run $20 million in a balanced account, said Richard Fox, city controller.

Funding for Oppenheimer came from a reduction in the amount managed by Alliance Capital Management Corp., Chicago, which still handles $20 million in a balanced account for the fund, Mr. Fox said.

SEI Funds Evaluation Services, Chicago, assisted in the hiring.



Courtesy of the Baseball Hall of Fame, Cooperstown, NY

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His name was Wee Willie Keeler, baseball's greatest place-hitter. Standing no taller than the batboy, his lifetime average of .345 remains today as one of the highest in baseball history. Yet in 17 seasons he managed to hit only 32 home runs. Some people say he never meant to hit any.

His approach to baseball was simple. Rather than go for the long ball, he just "hit 'em where they ain't." The result: 3 batting titles, an all-time major league record for most singles in a season with 202, and an entire season (564 at bats) without striking out once.

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Managers win . . .

Continued from page 3

cial Services; Boston, 10th. 1984 figures for those managers are unavailable.

Four managers dropped out of the Top 10. The Travelers Cos., fifth in 1984, and Fischer, Francis, Trees & Watts Inc., New York, seventh, did not submit a questionnaire for this year's Scorecard.

The other managers that dropped off the list were 1984's third-ranked National Investment Services of America Inc., Milwaukee, which reported a net gain of $802 million for 1985, placing it 24th; and 1984 10th-place Batterymarch Financial Management, which reported a net loss of $473 million for 1985.

Among managers with tax-exempt assets under management totaling between $250 million and $1 billion, the top net gainer was Brignoli, Curley & Roberts Associates, New York.

The firm reported $457 million in net new business — all equities — from 13 clients including U S WEST Inc., Englewood, Colo.; Johnson & Johnson, New Brunsick, N.J.; Minnesota Mining & Manufacturing Co., St. Paul; and the Virginia Supplemental Retirement System, Richmond.

No. 2 was Pilgrim, Baxter, Hoyt & Greig, Wayne, Pa., which reported $444 million in equities. Third was TCW Realty Advisors, Los Angeles, which reported $430 million.

Had Geewax, Terker & Co., King of Prussia, Pa., reported names of some new clients, its $550 million in net new equity accounts would have catapulted the firm to the top spot for managers with assets under management of between $250 million and $1 billion.

Among managers with less than $250 million under management, Magten Asset Management, New York, led in net dollar gain. The firm reported a net gain of $149 million, all in fixed income. Of that, $73 million was additional funding from existing clients and $76 million was from eight new clients.

Magten's new clients include Niagara Mohawk Power Corp., Syracuse, N.Y.; Los Angeles Fire & Police Pension System and the Minneapolis Teachers' Retirement Fund Association.

Hahn, Holland & Grossman, Chicago, was second in that category, with $117 million net gain, and Eagle Asset Management, St. Petersburg, Fla., was third, with $109 million. ■

Securities prices listed

NEW YORK — The Bond Buyer, in conjunction with the Mortgage-Backed Securities Clearing Corp., will offer a daily pricing service that gives the daily closing market price on all Ginnie Mae, Fannie Mae and Freddie Mac mortgage-backed securities.

MBSCC polls brokers at the close of each business day and transmits the average prices to The Bond Buyer, which applies the data to each coupon and to each pool. In addition, each Ginnie Mae, Fannie Mae and Freddie Mac pool will be available as part of an individual pricing service in which the price will be adjusted according to the payoff history of each pool.

The information is available to subscribers daily, weekly or monthly as a computer tape service. ■